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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
10/723,264	11/26/2003	Stephen E. Gray	36287-04404	8757

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EXAMINER	
TROTTER, SCOTT S	
ART UNIT	PAPER NUMBER
3694	
MAIL DATE	DELIVERY MODE
06/12/2008	PAPER

Please find below and/or attached an Office communication concerning this application or proceeding.

The time period for reply, if any, is set in the attached communication.

Office Action Summary	Application No.	Applicant(s)	
	10/723,264	GRAY ET AL.	
	Examiner	Art Unit	
	SCOTT S. TROTTER	3694	

-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE *3* MONTH(S) OR THIRTY (30) DAYS, WHICHEVER IS LONGER, FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

Status

1)☒ Responsive to communication(s) filed on *28 February 2008*.

2a)☐ This action is **FINAL**. 2b)☒ This action is non-final.

3)☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

Disposition of Claims

4)☒ Claim(s) *1-16,18,19,21 and 22* is/are pending in the application.

4a) Of the above claim(s) _____ is/are withdrawn from consideration.

5)☐ Claim(s) _____ is/are allowed.

6)☒ Claim(s) *1-16,18,19,21 and 22* is/are rejected.

7)☐ Claim(s) _____ is/are objected to.

8)☐ Claim(s) _____ are subject to restriction and/or election requirement.

Application Papers

9)☐ The specification is objected to by the Examiner.

10)☐ The drawing(s) filed on _____ is/are: a)☐ accepted or b)☐ objected to by the Examiner.

Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).

Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).

11)☐ The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

Priority under 35 U.S.C. § 119

12)☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).

a)☐ All b)☐ Some * c)☐ None of:

1.☐ Certified copies of the priority documents have been received.

2.☐ Certified copies of the priority documents have been received in Application No. _____.

3.☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).

* See the attached detailed Office action for a list of the certified copies not received.

Attachment(s)

1) ☐ Notice of References Cited (PTO-892)
2) ☐ Notice of Draftsperson's Patent Drawing Review (PTO-948)
3) ☐ Information Disclosure Statement(s) (PTO/SB/08) Paper No(s)/Mail Date _____.
4) ☐ Interview Summary (PTO-413) Paper No(s)/Mail Date. _____ .
5) ☐ Notice of Informal Patent Application
6) ☐ Other: _____.

DETAILED ACTION

1. This action is issued in response to the amendment received February 28, 2008.

Official Notice

2. Since Applicant(s) did not seasonably traverse the Official Notice statement(s) as stated in the previous Office Action (Dated 11/19/2007), the Official Notice statement(s) are taken to be admitted prior art. See MPEP §2144.03.

Claim Rejections - 35 USC § 112, second paragraph

3. The following is a quotation of the second paragraph of 35 U.S.C. 112:

> The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention.

4. Claims 1-16, 18, 19, 21, and 22 are rejected under 35 U.S.C. 112, second paragraph, as being indefinite for failing to particularly point out and distinctly claim the subject matter which applicant regards as the invention. The claims are for transferring stock options but do not say who the options are being transferred between. While the examiner thought that it was between the employer and employee and for that reason is sustaining the previous art since the broadest reasonable interpretation includes that reading.

5. Claims 2-4, 12-14 are rejected under 35 U.S.C. 112, second paragraph, as being indefinite for failing to particularly point out and distinctly claim the subject matter which applicant regards as the invention. All of the claims are for "prorating" the transfer of the options but don't give what the options are being prorated to making the claims indefinite. While it still seems indefinite the clarification of the term transfer may help clear up this term as well.

Clarification and/or correction are required.

Claim Rejections - 35 USC § 101

6. 35 U.S.C. 101 reads as follows:

> Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

7. Claims 1-16 are rejected under 35 U.S.C. 101 because the claimed invention is directed to non-statutory subject matter. Based on Supreme Court precedent (*Diamond*

v. Diehr, 450 U.S. 175, 184 (1981); *Parker v. Flook*, 437 U.S. 584, 588 n.9 (1978); *Gottschalk v. Benson*, 409 U.S. 63, 70 (1972); *Cochrane v. Deener*, 94 U.S. 780, 787-88 (1876) and recent Federal Circuit decisions, the Office's guidance to examiners is that a § 101 process must (1) be tied to another statutory class (such as a particular apparatus) or (2) transform underlying subject matter (such as an article or materials) to a different state or thing. (The Supreme Court recognized that this test is not necessarily fixed or permanent and may evolve with technological advances. *Gottschalk v. Benson*, 409 U.S. 63, 71 (1972)) If neither of these requirements is met by the claim, the method is not a patent eligible process under § 101 and should be rejected as being directed to nonstatutory subject matter. In this case there is neither a particular apparatus or a physical transformation.

Claim Rejections - 35 USC § 103

8. The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negatived by the manner in which the invention was made.

9. Claims 1 and 9 are rejected under 35 U.S.C. 103(a) as being unpatentable over Cristofich et al. (U.S. Patent 6,269,346 B1 hereafter Cristofich) in view of Menachem Brenner et al. (Journal of Financial Economics 57 (2000) hereafter Brenner).

As per claim 1 Cristofich teaches transferring stock options to employees (*See Cristofich Abstract*) but does not explicitly teach adjusting the strike price or maturity

date for options that had already been granted. But Brenner teaches that it was known to reset both the strike price and maturity of options granted to employees. Brenner also teaches that the strike price is normally set to the current stock price which is determining a stock price corresponding to a particular one of the plurality of option prices which happens when the options strike price is reset which is the second part of the decision period. Therefore it would have been obvious to a person of ordinary skill in the art at the time the invention was made to include the resetting options taught by Brenner with Cristofich's ability to transfer options to employees to allow for resetting flexibility when a company needs to retain a key employee whose option compensation's value has fallen to the point their options are no longer functioning as the incentive they were intended to function as.

As per claim 9 Cristofich the system must inherently be able to determine a stock price at a predetermined time by selling the stock when instructed to do so. (*See Cristofich Abstract*)

10. Claim 10 is rejected under 35 U.S.C. 103(a) as being unpatentable over Cristofich in view of Brenner and Peter Hoadley's Options Strategy Analysis Tools. (From the January 9, 2004 IDS hereafter Hoadley)

As per claim 10 Cristofich teaches transferring stock options to employees (*See Cristofich Abstract*) but does not explicitly teach adjusting the strike price or maturity date for options that had already been granted. But Brenner teaches that it was known to reset both the strike price and maturity of options granted to employees. Brenner also teaches that the strike price is normally set to the current stock price which is

determining a stock price corresponding to a particular one of the plurality of option prices which happens when the options strike price is reset which is the second part of the decision period. Therefore it would have been obvious to a person of ordinary skill in the art at the time the invention was made to include the resetting options taught by Brenner with Cristofich's ability to transfer options to employees to allow for resetting flexibility when a company needs to retain a key employee whose option compensation's value has fallen to the point their options are no longer functioning as the incentive they were intended to function as. Cristofich and Brenner don't explicitly using an option pricing formula to set the option value price but option pricing models such as taught by Hoadley to determine the appropriate price for an option were old and well known in the art of finance. Therefore it would have been obvious to a person of ordinary skill in the art at the time the invention was made to use a pricing model to determine the appropriate price for an option.

11. Claim 11-15 is rejected under 35 U.S.C. 103(a) as being unpatentable over Cristofich in view of Brenner, Hoadley, and Official Notice.

As per claim 11 Cristofich, Brenner, and Hoadley teach the method of claim 10 but don't explicitly teach electing transfer of an employee stock option during a particular decision period; and executing an order for transfer of the employee stock option after the particular decision period. But Official Notice is taken that it is old and well known in the art of brokerage services place limit orders and orders at the opening price. Therefore it would have been obvious to a person of ordinary skill in the art at the

time the invention was made to place an order that would not be executed until the next day which would be after a particular decision period.

As per claims 12-14 Cristofich, Brenner, and Hoadley teach the method of claim 10 but don't explicitly teach prorating transfer of stock options but it was old and well known in the art of accounting to adjust deprecation and cost basis using prorating methods and it would have been obvious to a person of ordinary skill in the art at the time the invention was made to use prorating to decide which grants to reset.

12. Claims 2-4 are rejected under 35 U.S.C. 103(a) as being unpatentable over Cristofich in view of Brenner and Official Notice.

As per claims 2-4 Cristofich and Brenner teach the method of claim 1 but do not explicitly teach prorating transfer of stock options but it was old and well known in the art of accounting to adjust deprecation and cost basis using prorating methods and it would have been obvious to a person of ordinary skill in the art at the time the invention was made to use prorating to decide which grants to reset.

13. Claims 5-8 are rejected under 35 U.S.C. 103(a) as being unpatentable over Cristofich in view of Brenner and Official Notice.

As per claim 5 and 6 Cristofich and Brenner teach the method of claim 1 but do not explicitly teach using option pricing formulas to set option prices. But it is old and well known in the art of finance that option pricing formulas exist to show what an appropriate price would be for an option. Therefore it would have been obvious to a person of ordinary skill in the art at the time the invention was made to use option pricing models such as the Black-Scholes Model or the Binomial model (both of which

were taught by Peter Hoadley's Option Strategy Analysis Tools disclosed in the January 9, 2004 IDS) to determine an appropriate price for an option.

As per claim 7 Cristofich and Brenner teach the method of claim 1 but do not explicitly teach using a pricing grid to provide a plurality of option value pricing. But it is old and well known in the art of presenting the results of mathematical equations to present them in a grid with a obvious example being logarithmic and trigonometric functions which were published in books rather than being recalculated by hand every time they were needed. Therefore it would have been obvious to a person of ordinary skill in the art at the time the invention was made to use a pricing grid to convey the plurality of option value prices showing the results of the models in a convenient format.

As per claim 8 Cristofich and Brenner teach the method of claim 1 but do not explicitly teach determining an average stock trading price over a predetermined period of time. It is old and well known in the art of finance to track a **moving average** price of a security. Therefore it would have been obvious to a person of ordinary skill in the art at the time the invention was made to used a moving average of the stock to smooth out the volatility in the price swings over the time period.

As per claim 15 see the rationale for claim 1 as a parallel system claim to that method claim.

As per claim 16 see the rationale for claim 10 as a parallel system claim to that method claim.

As per claim 18 see the rationale for claim 1 as a parallel computer readable medium claim to that method claim.

As per claim 19 see the rationale for claim 1 as a parallel system claim to that method claim.

As per claim 21 see the rationale for claim 10 as a parallel computer readable medium claim to that method claim.

As per claim 22 see the rationale for claim 10 as a parallel system claim to that method claim.

Conclusion

14. Examiner's Note: The Examiner has cited particular columns and line numbers in the references as applied to the claims for the convenience of the applicant. Although the specified citations are representative of the teachings in the art and are applied to the specific limitations within the individual claim, other passages and figures may apply as well. It is respectfully requested from the applicant, in preparing the responses, to fully consider the references in entirety as potentially teaching all or part of the claimed invention, as well as the context of the passage as taught by the prior art or disclosed by the examiner.

15. Any inquiry concerning this communication from the examiner should be directed to Scott S. Trotter, whose telephone number is 571-272-7366. The examiner can normally be reached on 8:30 AM – 5:00 PM, M-F.

16. If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, James P. Trammell, can be reached on 571-272-6712.

17. Information regarding the status of an application may be obtained from the Patent Application Information Retrieval (PAIR) system, see http://pair-direct.uspto.gov.

Should you have questions on access to the Private PAIR system, contact the Electronic Business Center (EBC) at 866-217-9197 (toll-free).

18. The fax phone number for the organization where this application or proceeding is assigned are as follows:

(571) 273-8300 (Official Communications; including After Final Communications labeled "BOX AF")

(571) 273-6705 (Draft Communications)

sst
6/12/2008

/James P Trammell/
Supervisory Patent Examiner, Art Unit 3694